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TAGS: PDEV, ECON, EIND, ELAB, EMIN, RH

SUBJECT: ASSESSMENT OF RHODESIAN ECONOMY

1. THE ECONOMIC SITUATION IN RHODESIA IS DIFFICULT TO ASSESS FULLY BECAUSE OF RESTRICTIONS ON DEALINGS WITH RHODESIAN OFFICIALS AND THE SECRECY WITH WHICH ECONOMIC DATA AND INFORMATION ARE HANDLED BY THE RHODESIANS. NONETHELESS, THIS REPORT IS BASED ON A SERIES OF INTERVIEWS WITH RHODESIAN, AMERICAN, AND SOUTH AFRICAN BUSINESSMEN WITH INSIGHT INTO THE PRESENT STATE OF THE RHODESIAN ECONOMY.

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2. BUSINESSMEN IN SOUTH AFRICA APPEAR GENERALLY HOPEFUL ABOUT BOTH ECONOMIC AND POLITICAL PROSPECTS IN RHODESIA. OVER THE PAST FEW WEEKS, CONGEN JOHANNESBURG HAS TALKED TO A NUMBER OF RHODESIAN, AMERICAN AND SOUTH AFRICAN BUSINESSMEN IN THE AREA WHO ARE DIRECTLY INVOLVED WITH ECONOMIC DEVELOPMENTS IN RHODESIA. THESE BUSINESSMEN APPEARED NEARLY UNANIMOUS IN THEIR BELIEF

THAT THE INTERNAL SETTLEMENT WILL WORK, THAT NKOMO CAN BE INDUCED TO JOIN IN THE PROCESS, AND THAT IT WILL ULTIMATELY BE RECOGNIZED BY THE WESTERN POWERS. NEVERTHELESS, THESE BUSINESSMEN CONCEDE THAT THERE HAVE BEEN SERIOUS DEVELOPMENTS IN THE PAST TWELVE MONTHS THAT WILL SEVERELY STRAIN THE NATION IN THE EVENT SANCTIONS ARE NOT LIFTED. FOREMOST AMONG THESE ARE THE RISING LEVELS OF UNEMPLOYMENT IN THE MANUFACTURING AND MINING SECTORS, THE STRAINS ON THE AGRICULTURAL COMMUNITY BECAUSE OF THE WAR, AND MOST SERIOUS, A SEVERE DETERIORATION IN FOREIGN CURRENCY RESERVES.

3. MINING: CONTRARY TO BRAVADO ABOUT REPEAL OF THE BYRD AMENDMENT NOT AFFECTING RHODESIAN CHROME PRODUCTION, THE CHROME MINES, AS WELL AS OTHER RHODESIAN MINING OPERATIONS, ARE FACING SERIOUS ECONOMIC PROBLEMS, ACCORDING TO A US BUSINESSMAN FORMERLY ASSOCIATED WITH THE RHODESIAN CHROME INDUSTRY. IN THE AFTERMATH OF THE ACTION AGAINST THE BYRD AMENDMENT, THE MINES CONTINUED NORMAL PRODUCTION FOR PURPOSES OF BUILDING A CHROME "STOCKPILE". THAT STOCKPILING HAS NOW BEEN COMPLETED AND LAY-OFFS OF MINE WORKERS ARE NOW REPORTED. OTHER MINING VENTURES ALSO REPORT DECLINING PRODUCTION (PARTICULARLY NICKEL), ALLEGEDLY AS A RESULT OF POOR WORLD MARKET CONDITIONS FOR RHODESIAN ORE. THIS LATTER PHENOMENON, THAT OF AN OVER-SUPPLY OF NICKEL, CHROME, AND COPPER IN WORLD MARKETS, HAS CAUSED THE RHODESIAN MINERALS INDUSTRY MORE DISLOCATION THAN ANY CHANGE IN SANCTIONS ENFORCEMENT. LIMITED OFFICIAL USE

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4. AGRICULTURE: AGRICULTURE REMAINS A BRIGHT SPOT ON THE RHODESIAN ECONOMIC SCENE AS CROP AND BEEF PRODUCTION (AND EXPORTS) CONTINUE AT A HIGH LEVEL. SEVERAL SOURCES ACTIVELY ENGAGED IN RHODESIAN AGRICULTURE ASSERTED RHODESIA'S FARMERS HAVE CONTINUED TO SET HIGH PRODUCTION AND QUALITY STANDARDS IN SPITE OF THE FACT THAT THE NATION'S FARMERS ARE IN THE FRONT LINE OF ATTACK IN THE GUERRILLA WAR. WHILE THERE HAS BEEN A DECLINE IN THE NUMBER OF FARMS UNDER CULTIVATION, THERE DOES NOT APPEAR AS YET TO BE ANY SERIOUS FALL-BACK IN PRODUCTION. RHODESIA CONTINUES TO EXPORT TOBACCO, COTTON AND BEEF IN LARGE QUANTITIES AND THESE PRODUCTS ARE LARGE EARNERS OF FOREIGN EXCHANGE. THE ONLY PROBLEM MENTIONED WAS THE INCREASE OF STOCK THEFTS IN CERTAIN AREAS WHERE GUERRILLAS OR THIEVES HAVE HAD MORE ROOM TO OPERATE. THIS SECTOR SHOULD CONTINUE TO BE BULWARK OF THE ECONOMY, AS LONG AS THE WHITE FARMERS WHO PRODUCE 93 PERCENT OF MARKETED PRODUCTION REMAIN.

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5. MANUFACTURING: DUE TO SANCTIONS, RHODESIAN INDUSTRY HAS BEEN FORCED TO GO INTO THE MANUFACTURE OF MANY ITEMS THAT WOULD NORMALLY BE IMPORTED. RHODESIA HAS THE CAPABILITY TO BUILD SOPHISTICATED MINING AND CONTRUCTION EQUIPMENT, HAS A LARGE ELECTRONICS INDUSTRY, CANS ALL ITS OWN FOODSTUFFS, HAS A VIABLE TEXTILE AND FASHION INDUSTRY, AND MAKES MOST OF ITS ARMAMENTS WITH THE EXCEPTION OF AMMUNITION WHICH IT IMPORTS FROM SOUTH AFRICA. NONETHELESS, THE MANUFACTURING SECTOR IS HARD PRESSED BY A SHORTAGE OF FOREIGN CURRENCY NECESSARY FOR THE IMPORTATION OF MACHINERY AND COMPONENTS. ONE INDIVIDUAL RELATED HOW THE RESERVE BANK HAS FORCED MANY INDUSTRIES OUT

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OF "NEEDLESS COMPETITION" INTO MONOPOLISTIC SITUATIONS AS A MEANS OF CONSERVING FOREIGN CURRENCY AND ACHIEVING MORE RATIONAL PRODUCTION RUNS. A CASE IN POINT IS THE RHODESIAN TIRE INDUSTRY WHERE DUNLOP (RHODESIA) LTD. IS THE SOLE TIRE PRODUCER PERMITTED

TO OPERATE IN THE COUNTRY. RHODESIAN INDUSTRY IS ABLE, PRIMARILY THROUGH SOUTH AFRICAN SUBSIDIARIES, TO EXPORT MANUFACTURES TO MUCH OF SOUTHERN AFRICA, INCLUDING BOTSWANA, ZAMBIA, ZAIRE, MALAWI, AND, OF COURSE, SOUTH AFRICA. HOWEVER, THE PAST YEAR HAS SEEN SACTIONS BITE HARDER WITH AN ACCOMPANYING DROP IN MANUFACTURES EXPORTS.

6. TECHNOLOGY: ONE RHODESIAN MANUFACTURER REMARKED RECENTLY THAT RHODESIA WOULD FACE BANKRUPTCY IF IT WERE EVER TO GO LEGITIMATE. HE WAS COMMENTING ON THE FACT THAT RHODESIA PAYS NO ROYALTY PAYMENTS FOR ACQUIRED TECHNOLOGY OR COPYRIGHT OR PATENT UTILIZATION. IN THE EVENT SACTIONS ARE LIFTED, MUCH OF THE RHODESIAN MANUFACTURING COMPLEX MIGHT BE EXPECTED TO SETTLE ACCOUNTS FOR MUCH OF THIS "BORROWED" TECHNOLOGY. WHERE POSSIBLE, THE RHODESIAN GOVERNMENT HAS ENCOURAGED LOCAL MANUFACTURERS TO COPY IMPORTED EQUIPMENT, EVEN WHEN IMPORTS WERE AVAILABLE, TO CONSERVE FOREIGN EXCHANGE.

6. UNEMPLOYMENT: RHODESIA'S POOL OF SKILLED LABOR HAS BEEN HIT HARD BY THE DECLINE IN ECONOMIC ACTIVITY OVER THE PAST YEAR. AS LEVELS OF MANUFACTURING AND MININ HAVE BEEN CONSTRICTED, SO HAVE THE NUMBERS OF SKILLED WORKMEN NEEDED BY INDUSTRY BEEN REDUCED. SCHOOLS TURING OUT ARTISANS ALLEGEDLY REPORT A VERY LOW RATE OF ABSORPTION INTO INDUSTRY.

7. THE POOL OF UNSKILLED LABOR, MOSTLY BLACK, REMAINS ABOUT THE SAME ALTHOUGH THE LATEST TACTIC OF GUERILLAS FORCING NUMBERS OF YOUNG BLACKS ACROSS THE BORDER HAS GREATLY AFFECTED THE WORK FORCE IN SOME AREAS. TERROR TACTICS AGAINST LIMITED OFFICIAL USE

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RURAL BLACKS WORKING ON WHITE FARMS DO NOT SEEM TO HAVE HAD AN APPRECIABLE IMPACT ON AGRICULTURE.

8. RHODESIA HAS SUFFERED A "BRAIN DRAIN" OF SERIOUS PROPORTIONS. LARGE NUMBERS OF DOCTORS, ADVOCATES, ACCOUNTANTS, AND OTHER WHITE COLLAR SPECIALISTS HAVE LEFT OVER THE PAST YEAR, ALTHOUGH MANY RHODESIANS EXPECT AN INFLOW WITH THE ACCEPTANCE OF THE INTERNAL SETTLEMENT. A SECOND FLOW OF MORE POTENTIAL SERIOUSNESS IS THE STREAM OF YOUNG STUDENTS WHO HAVE LEFT RHODESIA BECAUSE OF THE DEMANDS OF THE SECRUITY FORCES, AS WELL AS THE LACK OF OPPORTUNITY IN THE FIELDS OF HIGHER EDUCATION. ONE SOURCE ESTIMATED 50 PERCENT OF YOUNG WHITE RHODESIAN MALES OF UNIVERSITY AGE ARE NOW OUT OF THE COUNTRY. NET EMIGRATION DURING FIRST QUARTER OF 1978 IS DOWN TO 60 PERCENT OF 1977 LEVEL IN WAKE OF INTERNAL SETTLEMENT. IT IS QUESTIONABLE WHETHER THIS DROP WILL BE SUSTAINED IF SACTIONS ARE NOT LIFTED.

9. TOURISM: DESPITE DENIALS AND A HEAVILY SUBSIDIZED EFFORT

BY THE GOVERNMENT, TOURISM HAS BEEN HIT BY THE SECURITY SITUATION. IRONICALLY, WHILE NUMBERS OF BRITISH, GERMANS AND AMERICANS CONTINUE TO COME TO RHODESIA IN FARILY LARGE NUMBERS, THE GREATEST FALL-OFF HAS BEEN IN THE NUMBER OF SOUTH AFRICANS WHO PATRONIZE RHODESIA'S RESORTS, PARTICULARLY THOSE IN THE EASTERN HIGHLANDS. THE RHODESIAN GOVERNMENT ADVERTISES HEAVILY AND SUBSIDIZES HOTELS AND TRANSPORTATION SERVICES TO THE COUNTRY BUT FEW RHODESIAN HOTELS, PARTICULARLY THOSE ALONG ROADS, DO A HEAVY BUSINESS (EXCEPT WITH OTHER RHODESIANS).

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10. THE INTERNAL SETTLEMENT SIGNED ON MARCH 3 INITIALLY IMBUE WHITE RHODESIANS WITH EXPECTANCY THAT, WITH MINORITY PROTECTION ENTRENCHED IN A FUTURE CONSTITUTION AND INTERNATIONAL ACCEPTANCE OF THE AGREEMENT, THEY MIGHT NOW BE ABLE TO GET ON WITH THE JOB OF REBUILDING THE ECONOMY AND ENDING THE COSTLY ISOLATION THAT THEY HAVE HAD TO ENDURE AS A PRICE FOR UDI. THE UNCERTAIN PERFORMANCE OF THE INTERIM GOVERN-

MENT IN ITS FIRST THREE MONTHS HAS DIMMED THE HOPES OF MANY RHODESIANS, BLACK AND WHITE, ABOUT THE FUTURE PROSPECTS. YET MANY STILL FEEL THAT AN END RESULT OF NON-MARXIST MAJORITY RULE WITH SOME MINORITY PROTECTION MAY EVENTUATE FROM THE LIMITED OFFICIAL USE

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ONGOING ATTEMPTS BY THE VARIOUS PARTIES TO MELD THEIR CONFLICTING INTERESTS. IF THIS BECOMES THE CASE, THEN THE FUTURE ECONOMIC PROSPECTS BRIGHTEN UP CONSIDERABLY. AS ONE FARMER NOTED, ALTHOUGH RHODESIAN TOBACCO IS RENOWNED FOR ITS QUALITY, HE HAS BEEN PAID ONLY HALF THE WORLD MARKET PRICE, GIVING AWAY THE REMAINDER AS A PREMIUM TO SANCTIONS BUSTERS. MAJORITY RULE TO HIM TRANSLATES INTO ANNUAL INCOME ROUGHLY TWICE WHAT HE EXPERIENCED UNDER UDI. THE UNDERLYING FEELING AMONG THOSE RHODESIAN BUSINESSMEN INTERVIEWED SEEMED TO BE THAT, WITH THE ABOVE MENTIONED MINORITY PROTECTION UNDER A NON-MARXIST RULE, THEY EAGERLY ACCEPT THE CHALLENGES OF THE FUTURE, CONFIDENT THAT A MULTI-RACIAL RHODESIA COULD ECONOMICALLY DOMINATE CENTRAL AND EASTERN AFRICA PARTICULARLY AS THEY EXPECT THEIR SOUTH AFRICAN COMPETITORS TO BECOME INCREASINGLY ISOLATED IN THE WORLD MARKET. WITHOUT THOSE GUARANTEES, HOWEVER, THEIR IMPRESSIONS WERE THAT FEW WHITE BUSINESSMEN WOULD STAY UNDER THE PERCEIVED ALTERNATIVE OF A MARXIST GOVERNMENT.

11. WHILE IT IS DIFFICULT TO ASSESS THE RHODESIAN ECONOMIC SCENE, IT APPEARS THE ECONOMY CONTINUES TO FUNCTION ADEQUATELY BUT WITH INCREASING STRAIN, DISLOCATION AND DISTORTION. THE COUNTRY CONTINUES TO BE ABLE TO EXPORT ITS PRODUCTS ABROAD AS THE QUALITY DIFFERENTIAL, PARTICULARLY IN REGARD TO THE REST OF AFRICA, IS SIGNIFICANT, BUT WITH SOME GROWING DIFFICULTY. SOME RECENT US VISITORS HAVE BEEN IMPRESSED WITH THE CONTINUED DYNAMISM AND ORDER OF THE RHODESIAN ECONOMY COMPARED TO ITS BLACK-RULED NEIGHBORS. THEY ARE, HOWEVER, LOOKING AT AN ECONOMY WHICH IS IN A FAR MORE ADVANCED STAGE. THE CONTINUING DEMANDS OF THE AR IN MANPOWER AND FINANCIAL TERMS, PLUS THE WEAKENING OF EXPORT MARKETS WOULD BE TWO SIGNIFICANT FACTORS IN ANY REAL OR POTENTIAL DECLINE. THE LOSS OF MOZAMBIQUE TRANSIT RIGHTS HAS ALSO HAD A MAJOR IMPACT ON THE ECONOMY DUE TO HIGHER TRANSPORTATION COSTS AND HAS CONTRIBUTED TO A LIMITED OFFICIAL USE

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SHORTAGE OF FOREIGN EXCHANGE AS DISCUSSED ABOVE. THE INTERNAL SETTLEMENT HAS INITIALLY PROVIDED THE BUSINESS COMMUNITY WITH A PSYCHOLOGICAL BOOST AND GIVEN THE PERCEPTION OF LIGHT AT THE END OF THE TUNNEL IN TERMS OF SANCTIONS AND THE WAR. IF THIS PROVES ILLUSORY, A FURTHER ACCELERATION OF THE ECONOMIC

DECLINE OF THE MODERN SECTOR IS A LIKELY OUTCOME. NEVERTHELESS,
THIS DETERIORATION WILL NOT BE IMMEDIATE AND COULD BE PROLONGED
OVER A NUMBER OF YEARS OF POLITICAL CONDITONS WOULD REMAIN
CONSTANT AND TOLERABLE.
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